

Testimony of Robert A. Spaeth, Executive Director

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To

Subcommittee on Fisheries Conservation, Wildlife & Oceans
H2-188 Ford House Office Building
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Good Morning Mr. Chairman:

Thank you for inviting me to testify today.

My name is Robert Spaeth. I am executive director of the Southern Offshore Fishing Association (SOFA), a 501 (c) (6) non-profit organization representing almost 100 offshore fishing vessels. Neither I nor the organization I represent have ever received a government grant in the 25 years of SOFA's existence.

If it's okay Mr. Chairman I am going to use the term ITQ's for unless the individual fishing quotas are transferable there will no support for the concept. I am also making the assumption that ITQ's will only be available to commercial fishermen who can prove historical participation in a fishery and that ITQ's could never be purchased or owned in any form by a recreational fisherman.

ITQ's could be workable in fisheries with adequate scientific, economic and social information available. On its face it sounds reasonable to assign a quota to a fisherman or fishing vessel and then let that person decide when is the best time to go fishing. The fisherman would not have to go out in bad weather because the opening of the season is set on a specific date. The fisherman could also wait for markets to firm before bringing his allotted fish to shore. The fisherman might be more financially secure than in open access as long as the resource was sustainable. But there are major problems.

Given the recent history of single species management that has resulted in a virtual dismantling of once thriving multi-species industries, ITQs should not be used, necessarily, as the first step in addressing overcapacity. It may be more prudent to first put a moratorium on new entrants into a particular fishery, followed by a license limitation program and establish a harvest threshold that could lead into an ITQ program after a period of stabilization within the fishery.

ITQ's have been proposed for the red snapper fishery. I was a member of the Gulf of Mexico Fishery Management Council's Reef Fish Advisory Panel at the time. We went through a long, arduous process to evaluate the proposed program. Most fishermen were against ITQ's at that time and many of them still are.

The main problems were the fishermen and dealers didn't know what an ITQ really was; how they worked or what affect they would have on their small businesses. There was and still is mistrust of NMFS and the Fishery Management Council because the membership of the Gulf Council is oriented toward recreational fishing. The commercial fishermen knew they could not get a fair shake from the Council or NMFS during that time period. The Gulf Council membership category is still unbalanced and is as bad as it has ever been

since the Council was created in 1976.

In a 2001 NMFS study there were 7 recreational and 4 commercial. It is worse in 2002, with the breakdown being 8 recreational to 3 commercial. We thought Congress had mandated a balance but it just isn't working in our region. Therefore, our major concern is who is going to be the lead agency in an ITQ program? The Gulf of Mexico Fishery Management Council would be the logical choice but the industry couldn't recommend that until the imbalance of membership issue is resolved. The fishing industry would be foolhardy to trust its future to Council members who are trying to ban as much commercial fishing as possible during each Council meeting.

Red snapper and grouper fisheries are too volatile to even bring the users together at this time. I know the Committee doesn't wish to listen to regional horror stories but the way the management process is being manipulated to ban one segment of the commercial red grouper fishery is nothing short of vindictive and vicious. If the red grouper longline fishermen are banned from fishing litigation is sure to follow.

At present the red snapper total allowable catch is almost equally divided among the recreational and commercial sectors. All red snapper are caught with hook and line so there are not any gear conflicts within the commercial sector. However, in the recreational sector, the for hire charter boats now take over 65% of the allowable recreational red snapper quota which keeps squeezing the season to fewer and fewer months. This restriction will last as long as the bag limit remains at 5 red snapper per person for recreational fishermen.

The first step in developing ITQ's would be to meet with and ask the industry if they think it is the right management tool for their fishery? Then a working group could develop a program and present it to the industry for approval. If it was approved then action should be taken. I have no problem with that.

The reason I make this statement is red snapper appears ready to try ITQ's. The number of permits was reduced years ago so the red snapper fishermen have had time to build individual historical records on their catches. This historical record must be the basis for transferable individual quotas. Other Gulf fisheries have been regulated dramatically pushing fishermen back and forth on different species. This puts those fishermen at a disadvantage and they would not be in the same position as the red snapper fishermen at this time so those fisheries would probably want to wait.

Example: Many fishermen who were fishing for grouper were urged by NMFS to fish for sharks. NMFS helped develop a shark fishery and then had a policy shift. Now NMFS has already cut the shark quota by 50% and some of the more active folks in NMFS want to cut even more. Those fishermen who started shark fishing and had to return to grouper lost some of the historical landings they would have had.

An ITQ program for grouper might work if you limit the permits and give a reasonable amount of time to those left to develop a history. There are 1200 reef fish permits issued by NMFS in the Gulf of Mexico. Over 500 of these permits have no landings at all. If a 5,000-pound annual catch threshold was required for a permit there would only be approximately 300 vessels left in the fishery. This one action would decrease latent harvest potential to near zero.

Initial Allocations: Historical landings remain the most objective and fairest means for allocating initial quotas. An upper limit on the percent of the total shares a single entity can own might be helpful to prevent over-consolidation and to protect the social structure of the fishery. A minimum quota share could be given to historical fishermen without recent landing or to those that have recently entered the fishery and have no

history of landings. The devil is certainly in the details.

Windfall profits: This may occur in some fisheries where the volume and profits are high but in a fishery that lands \$ 2.20 a pound fish and the average profit is 20 to 30 thousand dollars a year if you don't carry boat insurance, would there really be a windfall profit if the quota was close to what had been produced in the past? I think that the value of the ITQ will be determined by what you can earn under a fishing system that is not classified as a "derby" fishery. The existing fishermen have invested heavily into developing the fishery resources that have provided a significant contribution to the nation's economy. These investments have been done at great risks and with little rewards, largely because the government has waited to such a late date to begin direct effort management. Economic theory clearly teaches us that the existing fisheries are operating at a net zero profit margin. Such a "windfall" profit to existing fishermen is nothing more than a barely adequate and belated return on their initial investment efforts. "Windfall" profits would be of concern if the initial allocations were made to non-traditional fishermen. We feel that this is a non-issue in most Gulf of Mexico fisheries. What is wrong with people seeing a profit from hard work and investment in the fishery? Concern over the "windfall" profits that may accrue to initial recipients is misplaced

Impacts on conservation: This is the same as quota management and the results will be the same. It will cap the harvest level and if a further reduction or increase is required it should be done as a percentage across the board. It would be expected that eventually, the majority of the shares would be held by the more professional, conservation minded individuals in the fishery. ITQs are not a panacea for preventing overfishing but they broaden the scope of tools available to managers and may be helpful in directly resolving overcapacity concerns.

Costs: This is a touchy subject with the fishermen. In some fisheries the people and business are on the edge financially. An assessment of the industries ability to pay must be considered. I would like to make a point here, The fishing industry in the gulf of Mexico is in big trouble as over 2/3 of the vessels cannot afford insurance. The complex regulations and low wages have added to the loss of many qualified skippers and crewmembers. To hire a captain for my boats, I have to find someone who can identify 50 species of fish, know what size is allowed, where they can fish, when and how many fish you are allowed per species. If you make a mistake the fines are unbearable. To make a long story short if you add up the Coast Guard and fisheries regulations coupled with seamanship and knowing how to fish this person is going to make more money staying home. We suggest that someone help determine the state of our seafood harvesters and help us in training new fishermen.

The governmental costs of implementing and enforcing an IFQ program, given time, should not be any greater than the current system and may actually be less. Existing technology is sufficient for timely accounting of harvests. As the number of entities involved in the fishery decreases due to consolidation of shares among the more professional fishermen, compliance will increase, thus reducing the need for greater enforcement resources.

If the industry is to be taxed at some future date when the ITQ program is viable to cover some of the management costs, then a better co-management system needs to be developed between industry and the government. First of all, the monies should be held in trust funds targeted toward management and research of the ITQ fishery. Secondly, an improved co-management structure is needed to empower the industry to set appropriate management objectives and to have the government more accountable to the industry with regard to expenditure of industry funds and the setting of management and research agendas. The present system of advisory panels to the Councils is inadequate for the needed purposes.

The duration of an ITQ program should continue for perpetuity and only be ceased by the federal government through the purchase of existing shares. If a resource were at such risk of collapse that the quota was to be reduced to zero then direct harvest would cease. If the cessation of fishing existed long enough, say after five years, and the government felt that no fishing should be allowed in the foreseeable future then the existing shares should be purchased from the fishermen at a reasonable market price.

Many of the fishermen don't really want to go to ITQ's but due to the overbearing regulations, derby style fishing seasons and low prices caused by these regulations, they see ITQ's as a way to survive. The people that cannot qualify for and ITQ permit would not support the program.

Should processors receive quota shares? We do not have processor type vessels in the Gulf of Mexico fisheries and so processors should be not given initial quota shares. The bigger question is whether processors, or other non-fishermen, should be allowed to own and fish quota shares. Shares could be limited to vessel owners, captains, and crew to assure that traditional fishermen are provided priority in participating in the fishery. We would not want to encourage the ownership of quota shares by entities that are neither fishermen nor fishing vessel owners.

Impacts on individuals and communities who do not receive ITQs. The impacts on individuals who do not receive initial ITQs depend on how the initial allocation is conducted. If the initial allocation were based on historical landings with a certain level of guaranteed allocation for all participants the initial impact would be minimal. Any allocation method that does not use historical landings or participation in a fishery would have immediate negative impacts on both individuals and communities. The overall impact of ITQs on communities could be negative in the short-term if dockside businesses were forced to consolidate due to reductions in the number of fishing vessels but in the long-term the community impact should be positive as fishing firms become more profitable and increase their local business transactions. Greater unemployment could occur in some coastal communities as employment in the fishery is reduced, depending on the magnitude of share transactions. However, it is hard to imagine that ITQs would have substantial negative impacts on most of the Gulf's coastal communities because these same communities have already had their traditional commercial fishing social structure severely disrupted by the various state regulations restricting the traditional inshore net fishing businesses.

In conclusion Mr. Chairman, there is legitimate discussions that should take place on setting up and ITQ program for red snapper but not until the balance of membership, which should include an environmental spot, can be attained.

I will be glad to answer any questions.

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